



FAIRBAIRN  
BUILDERS

RENOVATION GUIDE |  
BUDGETING & CONTRACTS PHASE











# FAIRBAIRN BUILDERS

AWARD WINNING  
ARCHITECTURAL BUILDERS



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# NAVIGATING BUDGETS & CONTRACTS WITH CONFIDENCE

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**Top:** Jamie Fairbairn meeting with a client at our office, discussing their home build.

Embarking on a renovation is an exciting process with endless possibilities. Whether you're transforming a single room or undertaking a full-home renovation, it's an opportunity to enhance your space and make it truly yours. However, before work begins, it's essential to have a clear understanding of the budgeting and contract process to ensure your project runs smoothly and stays on track.

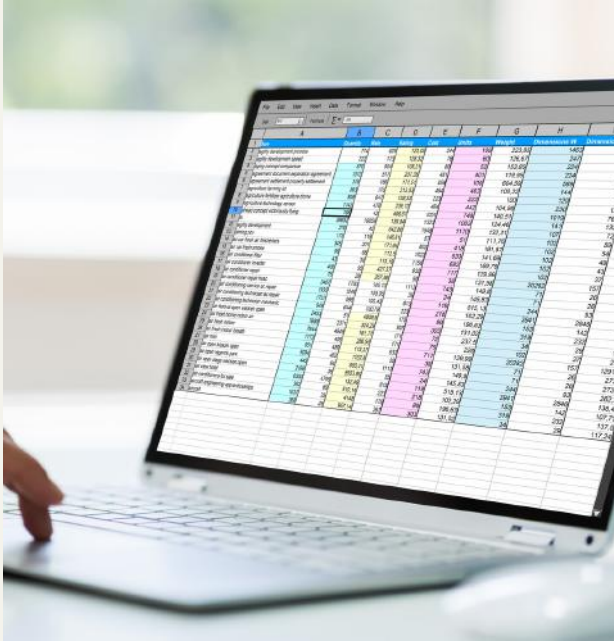
This guide will walk you through the key aspects of budgeting for your renovation and understanding different types of contracts. We'll cover everything from estimating costs and working with professionals, such as quantity surveyors, to understanding the differences between fixed-price and cost-plus contracts.

Our goal is to equip you with the knowledge and tools to make informed decisions, enabling you to approach your renovation with confidence and clarity.



# OUR BUDGETING & CONTRACTS PROCESS

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## Establishing Your Budget

Setting a realistic budget is a crucial first step in your renovation journey. At Fairbairn Builders, we can provide a detailed cost estimate to give you a clear idea of what to expect. If needed, we can also provide a quote or recommend engaging a quantity surveyor (QS) for a more comprehensive breakdown, we can even facilitate this process for you.

By understanding all potential costs early on, you gain control over your investment, making it easier to prioritize features and make adjustments as needed. Our goal is to provide full transparency around costs, helping you plan with confidence and avoid unwelcome surprises later on.



## Choosing the Right Contract Type

Selecting the right contract is essential for a smooth and stress-free building experience. The two main contract types are Fixed Price Contracts and Cost + Mark-Up Contracts.

- Fixed Price Contracts provide certainty by agreeing on a set price for a clearly defined scope of work. However, variations or changes can result in additional costs.
- Cost + Mark-Up Contracts offer more flexibility and transparency, as you only pay for actual costs incurred with an agreed margin on top. This option can be more cost-effective, as there's no built-in contingency like with a fixed-price contract.

We'll help you decide which option best suits your project, ensuring clarity and confidence from the start.

# RENOVATIONS BUDGETS & CONTRACTS

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## Getting Started with Your Renovation Budget

Before diving into your renovation, it's essential to establish a clear budget. A well-planned budget not only helps you manage costs effectively but also ensures that your project stays on track financially, reducing stress throughout the process.

### Step 1: Assess Your Available Funds

Start by evaluating the funds you have on hand, including:

- **Savings** – The amount you can comfortably contribute upfront.
- **Equity** – If you own an existing property, consider leveraging its equity for financing.
- **Financial Assistance** – Any grants, family contributions, or other support that may be available.

It's also important to consider the value of your land and the surrounding properties. Building a home that suits the location and aligns with the neighborhood's value can positively impact your investment and resale potential.

### Step 2: Understand Your Borrowing Capacity

Unless you're funding your build entirely with savings, you'll likely need to secure financing. Speak with your bank or mortgage advisor to determine:

- How much you can borrow based on your income, expenses, and credit history.
- Whether a fixed-price contract is required for lending approval (many banks prefer this to reduce financial risk).
- The potential for additional lending if unforeseen costs arise.

Having a clear understanding of your borrowing capacity will help set realistic expectations for your home design and build.



# RENOVATIONS BUDGETS & CONTRACTS

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## Step 3: Break Down the Costs

Once you know your total budget, it's time to divide it into key cost categories. A typical new home build budget includes:

1. **Design & Planning** – Architect or designer fees, engineering reports, and council consents.
2. **Construction Costs** – Materials, labor, and subcontractor fees.
3. **Interior & Finishing** – Flooring, kitchen, bathrooms, lighting, paint, and other interior elements.
4. **Landscaping & Exterior Improvements** – Outdoor areas, fencing, driveways, and external painting.
5. **Utility Connections** – Power, water, internet, and gas installation.
6. **Project Management, Preliminary & General Costs** – Insurance, liability insurance, site costs, and professional fees.

## Step 4: Make Smart Financial Decisions

With a structured budget in place, you can make informed choices throughout your renovation. Consider:

- **Prioritizing Essentials vs. Luxuries** – Identify must-haves versus features you can add later.
- **Getting Detailed Quotes/Estimates** – Ensure builders quote/estimate covers all inclusions and avoid hidden costs.
- **Tracking Expenses** – Regularly monitor spending to stay within budget.

Establishing a realistic and well-thought-out budget will set the foundation for a smooth building process and help you create a home that meets both your needs and financial goals.

# RENOVATIONS BUDGETS & CONTRACTS

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## Why You Should Allocate a Portion of Your Budget for Unexpected Costs in Your Renovation

Renovating a home can be an exciting process, but even with the best planning, unexpected costs can arise. Setting aside a contingency fund ensures you're financially prepared for any surprises without compromising the overall success of your project.

### How Much Should You Set Aside?

A good rule of thumb is to allocate 10-20% of your total renovation budget for unexpected expenses. The exact amount will depend on factors such as:

- The complexity of your renovation.
- The condition of your existing structure.
- How detailed your initial cost estimates are.

### Common Unexpected Costs in Renovations

- **Structural Issues** – Hidden problems with walls, foundations, or ceilings may require repairs, adding significant costs.
- **Council & Consent Fees** – Additional permits or compliance requirements may arise as the project progresses.
- **Material Price Increases** – The cost of materials such as timber, tiles, or appliances can fluctuate, impacting your budget.
- **Design Changes or Upgrades** – You may decide to upgrade finishes, fixtures, or design features during the renovation, leading to higher costs.
- **Weather Delays** – Unfavorable weather conditions can delay work, especially for exterior renovations, which may result in increased labour costs.
- **Unforeseen Labour Costs** – Extra labour may be required if unexpected issues arise, such as additional preparation work, repairs, or design adjustments.

By allocating funds for unexpected costs, you can better manage surprises, keeping your renovation on track and avoiding financial stress. This contingency planning gives you peace of mind and allows you to respond quickly and efficiently to any challenges that may arise.

# RENOVATIONS BUDGETS & CONTRACTS

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## **The Importance of a Detailed Quote/Estimate and Scope of Work**

At Fairbairn Builders, we understand the importance of having a detailed quote/estimate before starting any project. We take the time to thoroughly review every aspect of the renovation, ensuring that the scope of work is clearly defined and covers all elements of the project. This level of detail helps prevent any misunderstandings and ensures that both parties are aligned on what is included and excluded.

We spend significant time and effort to provide an extremely detailed and well designed project proposal, covering everything from materials and labour to timelines and potential costs. It also covers exclusions. Our goal is to give you a comprehensive and transparent picture of the costs and work involved. It is sometimes not possible to capture all costs with a renovation as there are many unknowns about the condition of the existing structure. This is one of the reasons we always recommend a contingency.

While it may seem beneficial to get quotes or estimates from multiple builders, it's often difficult to compare costs effectively. Different building companies may include or exclude different items, which can make it hard to compare "apples with apples." If you engage just one builder to provide a cost estimate or quote, this allows them to focus on providing more accurate and detailed pricing, tailored specifically to your project. Furthermore, when a builder works with a Quantity Surveyor (QS), it increases the likelihood that all potential costs will be considered rather than having certain costs excluded to make the quote/estimate appear cheaper.

We highly recommend engaging a Quantity Surveyor (QS) to provide an independent, professional evaluation of the costs and scope. We would facilitate this process for you. This attention to detail at the beginning of the renovation helps to ensure a smooth and successful construction process.





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# RENOVATIONS BUDGETS & CONTRACTS

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## What is the Difference Between Fixed Price and Cost + Mark-Up?

At Fairbairn Builders, we offer two types of contracts: Fixed Price and Cost + Mark-Up.

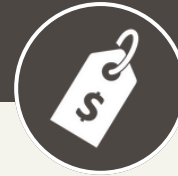


### Fixed Price Contracts

A fixed-price contract means the total cost of the project is agreed upon upfront, based on a defined scope of work. This amount is broken down into progress payments throughout the build.

However, fixed-price contracts for renovations can be challenging because they rely on the information provided in the plans. If unforeseen issues arise—such as out-of-level floors, rotten framing, or missing demolition details—these costs are not included in the original fixed price and result in variations (additional costs).

A fixed price typically includes an extra contingency to account for some unknowns, along with PC Sums (Provisional Cost Sums, which cover allowances for certain items. However, changes or unexpected work will still lead to cost increases. Some banks require a fixed price for lending purposes, so having a well-defined scope of work is essential.



### Cost + Mark-Up Contracts

With a cost + mark-up contract, all project costs are charged to the client with an agreed margin added on top.

This means:

- You pay for actual costs incurred, rather than a pre-determined amount.
- There is no built-in contingency, which often makes it more cost-effective.
- There is full transparency—our invoicing provides a clear breakdown of all costs.
- We can provide an initial estimate at the start and ongoing cost reporting to track expenses against the estimate.

### Which Contract is Best for Your Renovation?

Cost + mark-up contracts are often better suited for renovations, where unknowns are common, as they avoid inflated contingencies. Fixed-price contracts may be required in certain cases (e.g., for bank financing) but can lead to variations and higher final costs if unexpected work arises. No matter which option you choose, we ensure complete transparency and expert project management to help keep your renovation on track.



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# RENOVATIONS BUDGETS & CONTRACTS

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## **RBC1 Master Builders Alterations and Additions Contract**

At Fairbairn Builders, we use the Master Builders Alterations and Additions Contract for renovations, a widely recognized industry-standard agreement designed to provide clarity and security for both homeowners and builders. This contract outlines all key aspects of the renovation, including, timelines, payment schedules or rates, and responsibilities of each party. It ensures transparency by specifying whether the project is based on a fixed price or cost-plus basis. The RBC1 contract also includes provisions for dispute resolution, and insurance requirements, giving homeowners peace of mind that their project is protected under a structured and fair agreement. If your house is held in a trust, it's important to note that all trustees will need to sign the contract.



## **Preliminary Services Agreement**

At Fairbairn Builders, we use a Preliminary Services Agreement to outline the scope and costs of any preliminary work required before a full building contract is signed. This agreement covers essential early-stage services such as site assessments, concept planning, cost estimates, and project proposals. It clearly defines the rates for these services, ensuring transparency around pricing and expectations.

## **Deposit**

When the full contract is signed a deposit is made, which is held in a separate suffix bank account and applied to the final invoice(s) of the project. If preferred, this deposit can be held in our solicitor's trust account for a small fee, providing additional security and peace of mind.

# RENOVATIONS BUDGETS & CONTRACTS

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## **Master Builders 10 Year Guarantee**

The Master Builders Guarantee is a valuable feature offered by Fairbairn Builders to give clients peace of mind throughout the construction process. This guarantee is part of the comprehensive protection provided by Master Builders New Zealand.

The guarantee provides protection against financial failure of the builder, ensuring that the work will be completed even if the builder faces unexpected challenges. The Master Builders Guarantee application is completed at the same time as the contract.

## **Building Act 2004 Compliance**

At Fairbairn Builders, we ensure compliance with the Building Act 2004. To support this, we provide clients with a Building Act Checklist to guide them through the necessary steps, such as obtaining consents and compliance certificates. We also provide a Disclosure Statement that outlines key information about Fairbairn Builders. These documents ensure transparency, helping clients make informed decisions and ensuring the build meets all legal requirements.



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# RENOVATIONS BUDGETS & CONTRACTS

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## **Payment Terms**

Our contracts clearly outline the payment terms to ensure transparency and a smooth financial process throughout the renovation. If the contract is a fixed-price agreement, payments are structured as progress payments, with specific milestones tied to key stages of the project.

For charge-up contracts, where the cost is based on actual time and materials, we provide fortnightly invoicing. This allows clients to stay up to date with the costs as the project progresses, with invoices reflecting the work completed. This method provides flexibility and ensures that both parties are aligned on costs throughout the build.

Regardless of the contract type, payment schedules are designed to maintain cash flow for the project while ensuring that clients are only paying for work completed to agreed standards. Clear payment terms also help to avoid confusion or disputes down the line. Payments are due within 5 working days.

## **Cost Tracking for Cost & Mark Up Contracts**

We use Buildaprice, a leading New Zealand project management software, which is ideal for tracking costs throughout the build. While cost + mark-up contracts are based on estimated costs, Buildaprice allows us to easily compare the estimated costs with the actual costs as the project progresses. We can send regular reports that detail the actual vs. estimated costs, as well as the percentage of the estimated budget that has been used, ensuring complete transparency and helping clients stay informed every step of the way.

# RENOVATIONS BUDGETS & CONTRACTS

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## **Variations/Change of Scope Process:**

Throughout a renovation, variations or changes of scope may arise. A variation/change of scope refers to any modification or addition to the original scope of work agreed upon in the contract. These changes can occur due to unforeseen circumstances, client requests, or adjustments required during construction. It is important to understand that these changes may result in additional costs, such as extra labour, materials, equipment, or subcontractor expenses, and can also potentially affect the expected completion date.

## **How Variations/Changes of Scope are Managed:**

1. When a variation or change of scope is identified—whether requested by you, the client, or as a result of an unexpected issue, we will notify you.
2. Once the variation or change is identified, we prepare an estimate if possible, that outlines the additional costs involved.
3. We track all variations/change of scope separately in Buildaprice, our project management system.
4. We also assess the impact of variations on the overall project timeline.

By following this structured process, we ensure that any changes or variations to your project are handled professionally and efficiently, without compromising the quality or timeline of your build.



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